



Legislation Text

File #: Res.0305-16, **Version:** A

Alderman Shakoor

Second Amendment to the Development Agreement with FDP MR, LLC for the Machinery Row Development

WHEREAS, FDP MR, LLC, Rodney A. Blackwell, the City of Racine (the "City") and the Redevelopment Authority of the City of Racine (the "RDA") entered into a Development Agreement on December 31, 2014 for Developer to purchase and completely renovate and redevelop the Property as that term is defined in the Development Agreement into a mixed-use, residential and commercial development, as described in greater detail therein, as a part of an overall project that is planned for 42 acres and referred to as Machinery Row Property (the "Development Agreement"). FDP MR, LLC and Rodney A. Blackwell are collectively referred to herein as "the Developer". The Development Agreement was amended on February 1, 2016 (the "First Amendment"). A copy of the First Amendment including the Development Agreement is attached hereto as Exhibit A (hereafter referred collectively as the "Development Agreement, as amended");

WHEREAS, the Machinery Row Property is located in the City's Tax Incremental Finance District No. 18;

WHEREAS, the Developer and Principal have been working to move the redevelopment of the Machinery Row Property forward in accordance with the Development Agreement, as amended, but encountered difficulties with a tenant vacating the 900 Water Street Project building and removing the tenant's personal property from the premises which caused delays in moving the redevelopment forward and obtaining appropriate financing commitments and meeting certain deadlines established by the Development Agreement, as amended;

WHEREAS, Developer and Principal have razed a portion of the 900 Water Street building that was immediately adjacent and abutting the Root River in accordance with approvals from the City to set the stage for the redevelopment of the Property and the promenade area abutting the Root River;

WHEREAS, the City has been awarded a Knowles-Nelson Grant in the amount of \$470,800.00 towards the purchase of a portion of the Machinery Row Property, and to redevelop rights-of-way, including areas that will become a Root River promenade, which will enhance the redevelopment of the property by making it more inviting and attractive (the "Knowles-Nelson Grant") in accordance with the redevelopment plan and City plans for the area;

WHEREAS, the City, RDA and the Developer have entered into a purchase agreement whereby Developer will donate one-half of its fee title interest in approximately 5.5747 acres of the Machinery Row Property, to the City that will eventually contain improved public rights-of-way and river promenade (the "Promenade Property") and the City will pay for the fee title interest in the remaining one-half of the property to be transferred to the City. The City will be reimbursed for its cost of

acquisition (not including closing costs) by the Knowles-Nelson Grant. The proceeds from the purchase will be deposited by Developer in an escrow account to be utilized by the City to pay for certain expenses related to the Property and for public improvements including improved rights-of-way and river promenade as determined by the City; and

WHEREAS, City staff has recommended that it is in the City's best interests to extend certain deadlines and dates set forth in the Development Agreement, as amended, to allow the Developer and Principal additional time to resolve redevelopment issues if certain requirements are met by Developer. Legal staff and City Development staff have both reviewed the proposed Second Amendment to Development Agreement between the Developer and the City and the RDA and believe that allowing the additional time will facilitate the redevelopment of the site utilizing the Wisconsin Idle Industrial Sites Redevelopment grant and help to preserve the WEDC Historic Preservation Tax Credits awarded to the project;

BE IT THEREFORE RESOLVE, that the Second Amendment to Development Agreement between the Developer, the City and the RDA be approved, and forwarded to the Common Council for approval;

BE IT FURTHER RESOLVED that the Chairman, Executive Director, Mayor, Clerk and City staff are authorized to execute the Second Amendment and all documents necessary to carry out the intent of this resolution and the Second Amendment, to acquire the Promenade Property, to expend funds in accordance with the Second Amendment, and to take such actions and make such decisions necessary to carry out the intent of this resolution.

Fiscal Note: The second amendment to the development agreement extends the time frame of the existing development agreement to December 15, 2016 in order to allow the developer additional time to address development issues and secure a third party loan for the development. Developer will replenish the established mortgage escrow in the amount of \$22,500.00 to pay quarterly interest payments (1%) to the City for the mortgage established in the previous agreements. City and developer have entered into a purchase agreement where FDP will donate ½ of its interest in the 5.57 acres of land in the redevelopment site to the City and the City will purchase the remaining ½ interest in the land. The proceeds received by FDP from the sale will be escrowed for use at the sole discretion of the City to pay for costs related to the property, to redevelop the River promenade, and associated public rights-of-way. The City will be reimbursed for \$470,750.00 (½ of the purchase price for the land plus eligible real estate costs) by the Knowles-Nelson Grant. Closing costs will not be reimbursed and will be paid from account 45260-52340 (Intergovernmental Agreement - Redevelopment Activities) and there are sufficient funds available.